

Integrating Strategic Thinking into your Organization for Long-Term Competitive Advantage

[Leadership Advance Online](#) – Issue XI, Fall 2007

by Bridget Gilmore

During the 21 years that I have worked for both the federal government and defense contractors, I have found that these organizations often fail to think strategically when planning for the future. Such short-term thinking often results in confusion, frustration and the need for multiple reorganizations.

Strategic thinking is a powerful leadership tool that gives organizations the foresight and insight needed to succeed in the long term, especially when applied throughout the organization.

The Power of Strategic Thinking

There is power in strategic thinking and it is available to everyone. When organizations begin to think strategically, they gain:

- Insight, or problem solving skills, that help them intuitively make sense of chaos in their environment.
- The ability to see emerging conditions that could potentially provide long-term competitive advantage.
- The skill of visualizing, interpreting and scanning the environment for information about the organization's present and future.
- The ability to identify new market opportunities and create real solutions that advance business.
- The ability to understand the importance of relationship building and its interconnectedness with business goals.

Insight and Foresight

In their article, *Managing strategic planning paradigms in China*, Liu and Roos (2006) explain what happened in 2005 when the Chinese government became the third largest trading nation in the world. Foreign investors who wanted to trade in the Chinese market had to give up partial ownership of their companies. They also had to give up the right to offer insight or foresight about the future of their companies. Many companies agreed to do this because they realized that they did not know their new environment and needed to depend on others to build the necessary relationships to achieve success in China. Now that these investors are familiar with the Chinese markets and culture, they are causing what Andrew Grove calls “a strategic inflection point” or a fundamentally big change in their business environment (Bathgate, Omar, Nwankwo & Zhang, 2006). Having regained their freedom, it will be those companies who exercise their strategic thinking muscles that will succeed in the long run.

Everyone can be a Strategic Thinker

Many organizations do not involve all levels of employees in strategic thinking. They believe that regular employees are not capable of strategic thinking and that only executives can visualize, interpret and scan the environment for information about the organization’s present and future. How wrong they are!

In November 2006, IBM announced that they would invest \$100 million over the next two years to pursue ten new businesses generated by an online brainstorming session called InnovationJam (“IBM invests,” 2006). More than 150,000 people from 104 countries, including IBM employees, family members, universities, business partners and clients participated in InnovationJam. When they concluded their InnovationJam sessions, they posted more than 46,000 ideas. IBM made everyone’s ideas important. Chairman and Chief Executive Officer Samuel J. Palmisano proudly stated that, “collaborative innovation models require you to trust the creativity and intelligence of your employees, your clients and other members of your innovation network . . . We opened up our labs to the world. Here are our crown jewels, have a look at them” (“IBM invests,” 2006).

Samuel Palmisano ingeniously killed two birds with one stone as it relates to strategic thinking. He maximized two out of seven of the strategic thinking principles defined by Sanders (1998) in her

book *Strategic Thinking and the New Science*; and his InnovationJam sessions helped find new opportunities and creatively addressed relationships and alliances.

Another reason why organizations don't employ strategic thinking is that company hiring processes are often flawed. People are hired because of who they know and the agenda they are bringing to the table. This means that valuable strategic thinking skills such as insight and foresight are overlooked and replaced with nepotism and government control. Chairman of Next Media, Jimmy Lai said, "Nepotism and cronyism must give way to transparency and free competition" (Lai, 2001). He suggests that in place of nepotism, we embrace strategic thinking, so that transparency and free competition can lead.

Finding New Opportunities

What does your organization stand to gain from teaching everyone to become a strategic thinker?

Samuel J. Palmisano engaged 150,000 people in visual thinking, and as a result, IBM was able to identify new market opportunities, pursue ten new businesses and create real solutions that advance businesses, communities and society in meaningful ways.

Another example of insight came from the mind of William Coleman. Coleman, a 58 year old billionaire and former co-founder of BEA Systems, has created a new company called Cassatt (Lyons, 2006). He came up with the simple concept of the "Cheap Revolution," which created a paradigm shift from corporate customers and techmakers to cheap chips and open-source software such as Linux. Tech costs were cut by 90%, threatening fat profit margins of incumbents like Microsoft, IBM, Oracle and others. Coleman described how: "This next wave is going to be bigger than BEA ... We're about to see a huge tectonic shift, more dramatic than anything in the past" (Lyons, 2006). When asked why a billionaire needed another successful company, Coleman replied, "It's like an addiction and I can't stop myself." He gets a rush out of strategic thinking and he likes risks.

Neglecting to Think Strategically

Those who fail to embrace strategic thinking concepts often pay a heavy price. Webvan, a grocery "credit and delivery" business was founded in the late 1990s and went bankrupt in 2001. The mistake they made was not partnering with existing supermarket chains, wholesalers, networks of

smaller chains or independent grocers. The original investors encouraged Webvan to build its own infrastructure to deliver groceries instead of partnering (Lunce, Lunce, Kawai & Maniam, 2006). Building relationships and understanding their interconnections are elements of strategic thinking that many companies ignore. By creating and nurturing partnerships with existing supermarket chains, wholesalers or networks of smaller chains or independent grocers, Webvan could have gained its own preferred outcome with new, loyal and repeat customers, as well as larger profit margins.

Three things could have contributed to their demise. In the first place, the investors did not want to invest money in these kind of partnerships. Matthew 12:35 says: “A good man out of the good treasure of the heart bringeth forth good things, and an evil man out of the evil treasure bringeth forth evil things.” Greed was the motivator and, it seems, a clear contributor to their demise. Secondly, the investors did not see the Webvan leadership as strategic thinkers and, therefore, did not trust them. Finally, the investors were not strategic leaders themselves, so they were not sensitive to the circumstances and challenges that existed in their environment. Webvan focused on itself instead of creating champions who shared the same enthusiasm about the perspective of creating new business.

How to Become Strategic Thinkers

How can your organization and employees learn to become strategic thinkers?

T. Irene Sanders describes a concept she developed called *FutureScape*. She has come up with a technique for creating “an artistic representation of all of the factors impacting or influencing the business, issue or question being considered” (1998, p. 112). This exercise encourages the process of insight and foresight. To illustrate how *FutureScape* works, Sanders applies it to new product development. Groups of professionals from diverse backgrounds and different priorities are able to identify “subtle changes, connections, product gaps, perking developments, and emerging customer needs that point immediately to new ideas and products” (1998, p. 131). At the same time, the group learns about the importance of interconnected relationships in order to accomplish a common goal.

Preferred futuring is another approach in Sander’s book. In this approach, the group answers the question: “Who and what do we want to be?” This enables them to put together a preferable future.

Gaps between the present and the future will become apparent, enabling the group to design strategies to close the gaps.

Strategic mindsets describe a way of thinking about how to create and execute strategy. In their book, *Becoming a Strategic Leader*, Hughes and Beatty (2005) describe a useful framework for creating strategic mindsets. The framework describes five steps that occur in a cycle:

- Assess where we are: collect and make sense of the relevant information about our competitive environment.
- Understand who we are and where we want to go: vision, mission and core values.
- Learn how to get there: formulate the critical elements of strategy.
- Make the journey: act on the strategy by identifying and implementing tactics.
- Check our progress: continuous reassessments of effectiveness.

These ideas demonstrate that leaders who want to grow themselves, have a variety of tools at hand, which they can use to plan strategically for the future.

Conclusion

Strategic thinking is a powerful tool. When used correctly, it has the potential to move your organization into the future in new and innovative ways, giving it long-term competitive advantage. If we can learn from IBM's Samuel J. Palmisano and make everyone in our organization a strategic thinker, we'll soon have our own success stories to tell!

About the Author

Bridget Gilmore is a doctoral student at Regent University's School of Global Leadership & Entrepreneurship. She has more than 21 years of technical experience in the computer industry in support of federal and commercial customers.

E-mail: gilmoreiii@comcast.net

References

IBM Invests \$100 Million in collaborative innovation ideas.(2006). Retrieved January 9, 2007, from <http://www-03.ibm.com/press/us/en/pressrelease/20605.wss>

Bathgate, I., Omar, M., Nwankwo, S. & Zhang, Y. (2006). Transition to a market orientation in China: Preliminary evidence. *Marketing Intelligence & Planning*. Vol. 24(4).

Hughes, R. & Beatty, K. (2005). *Becoming a Strategic Leader*. San Francisco: CA. Jossey-Bass.

Lai, J. (2001). Asia must change: The new economy will force Asian businesses to place more of a premium on creativity and transparency than on control. Retrieved January 9, 2007, from <http://www.pathfinder.com/asiaweek/magazine/nations/0,8782,108640,00.html>

Liu, H. & Roos, L-U. (2006). Managing strategic planning paradigms in China. *Marketing Intelligence & Planning*. 24(5).

Lunce, S.E., Lunce, L.M., Kawai, Y., and Maniam, B. (2006). Success and failure of pure-play organizations: Webvan versus Peapod, a comparative analysis. *Industrial Management & Data Systems*. Vol. 106(9).

Lyons, D. (2006). *The new barbarians: Free software. Bargain chips. The always-on Internet. Today's tech giants are in danger. But the next big boom has already begun.* Retrieved January 10, 2007, from <http://members.forbes.com/forbes/2006/0918/102.html>

Sanders, T.I. (1998). *Strategic Thinking and the New Science*. New York: NY. The Free Press.